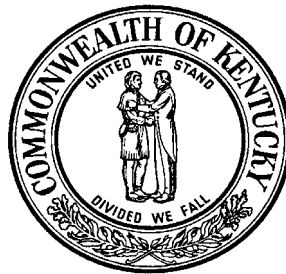


**REPORT OF THE AUDIT OF THE
EDMONSON COUNTY
SHERIFF**

**For The Year Ended
December 31, 2001**



**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
www.kyauditor.net**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable N. E. Reed, Edmonson County Judge/Executive

Honorable Billy Joe Honeycutt, Edmonson County Sheriff

Members of the Edmonson County Fiscal Court

The enclosed report prepared by Ross & Company, PLLC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the Sheriff of Edmonson County, Kentucky, for the year ended December 31, 2001.

We engaged Ross & Company, PLLC to perform the financial audit of this statement. We worked closely with the firm during our report review process; Ross & Company, PLLC evaluated the Edmonson County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure



**REPORT OF THE AUDIT OF THE
EDMONSON COUNTY
SHERIFF**

**For The Year Ended
December 31, 2001**

**ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY 40299
Telephone (502) 499-9088
Facsimile (502) 499-9132**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE EDMONSON COUNTY SHERIFF

**For The Year Ended
December 31, 2001**

Ross and Company, PLLC has completed the Edmonson County Sheriff's audit for the year ended December 31, 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Excess fees increased by \$9,886, from the prior calendar year, resulting in excess fees of \$205,069 as of December 31, 2001. Revenues increased by \$75,809 from the prior year and disbursements increased by \$65,923.

Report Comments:

- The Sheriff Should Submit An Annual Settlement Of Excess Fees With County
- Lacks Adequate Segregation Of Duties
- The Sheriff Should Prepare Accurate Quarterly Reports
- The Sheriff Should Publish His Annual Financial Statement
- Excess Fees Should Be Paid To The County On A Monthly Basis

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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ROSS & COMPANY, PLLC
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800 Envoy Circle
Louisville, KY 40299
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Honorable Billy Joe Honeycutt, Edmonson County Sheriff
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Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Edmonson County, Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 2001, in conformity with the modified cash basis of accounting.

To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable N. E. Reed, County Judge/Executive
Honorable Billy Joe Honeycutt, Edmonson County Sheriff
Members of the Edmonson County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated August 22, 2003, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Sheriff Should Submit An Annual Settlement Of Excess Fees With County
- Lacks Adequate Segregation Of Duties
- The Sheriff Should Prepare Accurate Quarterly Reports
- The Sheriff Should Publish His Annual Financial Statement
- Excess Fees Should Be Paid To The County On A Monthly Basis

Respectfully submitted,



Ross & Company, PLLC

Audit fieldwork completed -
August 22, 2003

EDMONSON COUNTY
 BILLY JOE HONEYCUTT, COUNTY SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Year Ended December 31, 2001

Receipts

Federal Grants		\$	30,281
State Grants			
Kentucky Law Enforcement Foundation Program Fund	\$	12,440	
Body Armor		<u>1,940</u>	14,380
State Fees For Services:			
Finance and Administration Cabinet	\$	21,921	
Cabinet For Human Resources		<u>457</u>	22,378
Circuit Court Clerk:			
Sheriff Security Service	\$	2,335	
Fines and Fees Collected		2,210	
Court Ordered Payments		<u>300</u>	4,845
Fiscal Court			62,938
County Clerk - Delinquent Taxes			1,089
Commission On Taxes Collected			76,018
Fees Collected For Services:			
Auto Inspections	\$	3,150	
Accident and Police Reports		243	
Serving Papers		15,680	
Carrying Concealed Deadly Weapon Permits		<u>4,263</u>	23,336
Other:			
Add On Fees	\$	30,212	
Advertising Fee		912	
Miscellaneous		414	
Jury Expense		818	
Reimbursements		4,817	
Conveying Prisoners		<u>3,633</u>	40,806
Interest Earned			<u>2,697</u>
Total Receipts		\$	278,768

The accompanying notes are an integral part of this financial statement.

EDMONSON COUNTY
 BILLY JOE HONEYCUTT, COUNTY SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 For The Year Ended December 31, 2001
 (Continued)

Disbursements

Other Charges-

Carrying Concealed Deadly Weapon Permits	\$	3,253	
Miscellaneous		751	
Reimbursement		<u>7,032</u>	<u>11,036</u>

Total Disbursements			<u>\$</u>	<u>11,036</u>
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Net Receipts			<u>\$</u>	<u>267,732</u>
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Less: Statutory Maximum	\$	59,846		
Training Incentive		<u>2,817</u>		<u>62,663</u>

Excess Fees			<u>\$</u>	<u>205,069</u>
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Excess Fees Due County for 2001			<u>\$</u>	<u>205,069</u>
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Payments to County Treasurer - Various Dates Throughout The Year				<u>205,069</u>
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Balance Due at Completion of Audit			<u>\$</u>	<u>0</u>
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The accompanying notes are an integral part of this financial statement.

EDMONSON COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent for the first six months of the year and 6.41 percent for the last six months of the year.

EDMONSON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2001
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2001, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

Note 4. Monthly Fee Pooling

The Sheriff, on a monthly basis, submits excess fees to the Edmonson County Treasurer. The county pays almost all of the expenses incurred by the Sheriff's office.

Note 5. Drug Fund

The Edmonson County Sheriff maintained a drug fund for funds received from drugs arrests. The balance of the fund at January 1, 2001 was \$3,065. Receipts in calendar year 2001 were \$53. Expenditures for the calendar year 2001 were \$2,128. The balance at December 31, 2001, was \$990.

COMMENTS AND RECOMMENDATIONS

EDMONSON COUNTY
BILLY JOE HONEYCUTT, COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2001

STATE LAWS AND REGULATIONS:

1) The Sheriff Should Submit An Annual Settlement Of Excess Fees With County

Our Audit revealed that the Sheriff has not made an annual settlement of excess fees to the fiscal court. KRS 134.310 (5)(a) requires the Sheriff to annually file a complete statement with the county of all funds received by his office and (b) all funds expended by his office. The Sheriff should comply with this statute.

Sheriff's Response:

None.

2) The Sheriff Should Prepare Accurate Quarterly Reports

Under the authority of KRS 68.210, the State Local Finance Officer requires the Sheriff to file a Quarterly Financial Report. The Sheriff did prepare and file his Quarterly Financial Report, however, the Report did not properly state the receipts and disbursements for calendar year 2001. The Sheriff should include all receipts and disbursements on the Quarterly Financial Report.

Sheriff's Response:

None.

3) The Sheriff Should Publish His Annual Financial Statement

Our audit revealed that the Sheriff did not publish an annual financial statement as required by statute. KRS 424.220(6) requires the Sheriff to publish financial statements within sixty days after the close of the calendar year. The Sheriff should comply with this statute.

Sheriff's Response:

None.

4) Excess Fees Should Be Paid To The County On A Monthly Basis

Review of expenditures revealed that the Sheriff did not make monthly settlement of excess fees to the fiscal court for two of the twelve months. Fiscal court approved the Sheriff to be a monthly fee-pooling official. Under this system, net receipts collected by the Sheriff are required to be paid to the county each month and the county pays most expenses of the Sheriff's office. The Sheriff should, by the first court meeting of the following month, prepare a settlement showing revenues collected, less payment to other governmental agencies, and the balance submitted to the fiscal court.

Sheriff's Response:

None.

EDMONSON COUNTY
BILLY JOE HONEYCUTT, SHERIFF
COMMENTS AND RECOMMENDATIONS
December 31, 2001
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES:

Lacks Adequate Segregation Of Duties

We recognize the extent of segregation of duties is a judgment established by management. We also recognize this judgment is affected by certain circumstances beyond the elected official's control such as functions prescribed by statutes and regulations, and by budgetary constraints. Due to limited staff, a proper segregation of duties may be impossible. However, the lack of adequate segregation of duties is hereby noted as a reportable condition pursuant to professional auditing standards. We believe this reportable condition as described above is a material weakness. We recommend the Sheriff establish a proper segregation of duties over his operations.

Sheriff's Response:

None.

PRIOR YEAR:

- The Sheriff Should Have Presented An Annual Settlement To The Fiscal Court
- The Sheriff Should Have Published An Annual Settlement Within Sixty (60) Days After Close Of Calendar Year
- The Sheriff Should Prepare An Accurate Quarterly Financial Report
- Excess Fees Should Be Paid To Fiscal Court On A Monthly Basis

None of these findings were corrected and are discussed on the prior page.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

ROSS & COMPANY, PLLC
Certified Public Accountants
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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Edmonson County Sheriff for the year ended December 31, 2001, and have issued our report thereon dated August 22, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Edmonson County Sheriff's financial statement for the year ended December 31, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations.

- The Sheriff Should Submit An Annual Settlement Of Excess Fees With County
- The Sheriff Should Prepare Accurate Quarterly Reports
- The Sheriff Should Publish His Annual Financial Statement
- Excess Fees Should Be Paid To The County On A Monthly Basis

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Edmonson County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. A reportable condition is described in the accompanying comments and recommendations.

- Lacks Adequate Segregation Of Duties

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,



Ross & Company, PLLC

Audit fieldwork completed -
August 22, 2003

